



# **DHHS REPORT ON LOCAL INPATIENT COMMUNITY HOSPITAL CONTRACTS (3 WAY CONTRACTS) UPDATE**

---

Joint Legislative Oversight Committee  
On Mental Health, Developmental Disabilities and  
Substance Abuse Services  
April 14, 2010

Michael Watson  
Assistant Secretary for MH/DD/SAS Development  
Department of Health and Human Services



# 3 Way Contracts

## Basic Information

---

- Contract between a Community Hospital, DHHS and an LME to purchase expanded Inpatient Psychiatric Capacity
- Expanded Beds =
  - Opening New Beds (CON or State Hospital Bed Transfer)
  - Staffing Up Unused Capacity (Licensed but not staffed)
  - Opening Existing Bed Capacity to Involuntary Commitments



## 3 Way Contracts Basic Information

---

- Payment Rate = \$750 per day (Hospital Daily Rate + Psychiatric Care + Discharge Medications)
- Contract gives participating Hospitals priority in transfers to State Hospitals—Encourage taking difficult patients



## 3 Way Contracts Basic Information

---

- Contract requires effective discharge efforts
- Available Funding = \$20,121,644  
(FY 08-09 \$8,121,644 + FY 09-10  
\$12,000,000)
- Phase-In issues associated with new  
funding/new contracts



## 3 Way Contract Goals

---

- Increase Community Psychiatric Inpatient Capacity
- Treat Consumers Closer to Home—Improve Hospital Transitions
- Reduce Short-term Admissions (7 days or less) to State Hospitals
- Decrease Emergency Room Wait Times & Impact on Law Enforcement
- Stop Trend toward Closure of Community Inpatient Beds



# LME Contract Responsibilities

---

- Authorization of Admissions
- Collecting Patient Data
- Facilitating Discharge Planning (Follow Up Appointment within 7 days)
- Coordinating Discharge Planning with Other LMEs
- Submit Hospital Claims to DMH/DD/SAS
- Pay Hospitals Within 10 working Day of Receipt of State Payment – **NOTE: State cash flow concerns**



## FY 08-09 Contract Utilization

---

- Contracts were initiated with 11 Community Hospitals
- Contracts were Phased In throughout the year as increased Capacity came on Line
- Increased Capacity = 67 Beds
- Participating Hospitals Served an additional 1,453 patients over FY 07-08 Actual Admissions
- Paid for 6,316 Days of Care



## Experience: FY 2009-2010 (July – February)

---

- Planned to add an additional 47 beds in 11 hospitals
  - Actual = 41 Beds
    - Halifax Regional Hospital (5 beds) declined offer due to staffing issues
    - Moses Cone Hospital Contract reduced from 5 beds to 4 beds
- 2 hospitals still planning to contract, but delayed
  - Davis Regional – construction and up fitting
  - Wayne Memorial – staffing issues
- 8 hospitals are operational
  - Note: Cape Fear Valley and Moses Cone are operational, but have not yet submitted billings





## **Experience: FY 2009-2010 (July – February)**

---

- Funding is being reallocated on one time basis among Hospital Contracts
- Total Contracts = 21
- Total Beds Funded = 108
- FY 09-10 Bed Day to Date = 14, 492
- Contracts available in 15 of 24 LMEs
- Hospital Start Up Issues

# 3-Way Contract Summary

LME	2008-2009			2009-2010		
	Hospital	# of New Beds	2009 Actual Bed Days Purchased	Hospital	# of New Beds	2010 Bed Days Purchased February YTD
Alamance-Caswell	Alamance Regional	8	539			962
Beacon Center	Nash General	8	1,140			2,259
CenterPoint	Forsyth Memorial	8	519			1,909
Crossroads				Davis Regional	5	0
Cumberland				Cape Fear Valley	5	0
Durham	Duke	2	390			408
East Carolina	Beaufort Memorial	6	311			600
				Roanoke-Chowan	5	424
Eastpointe				Duplin General	5	79
				Wayne Memorial	5	0
Guilford				Moses Cone	4	0
Mental Health Partners	Catawba Valley	12	1,277			2,490
Pathways	King's Mountain	5	368			741
Sandhills	First Health	6	626			1,519
Smoky Mountain	Charles Canon	3	642			934
	Haywood Regional	4	504			777
Southeastern	New Hanover Memorial	5	0			1,188
Western Highlands				Margaret Pardee	4	86
				Mission/St. Joseph's	5	7
				Rutherford Memorial	2	17
				St. Luke's	1	92
<b>Grand Total</b>		67	6,316		41	14,492



# Bed Allocation Strategies

---

- # of Short Term Admissions to State Hospitals
- Geographic Coverage
- Support for Community Emergency Rooms

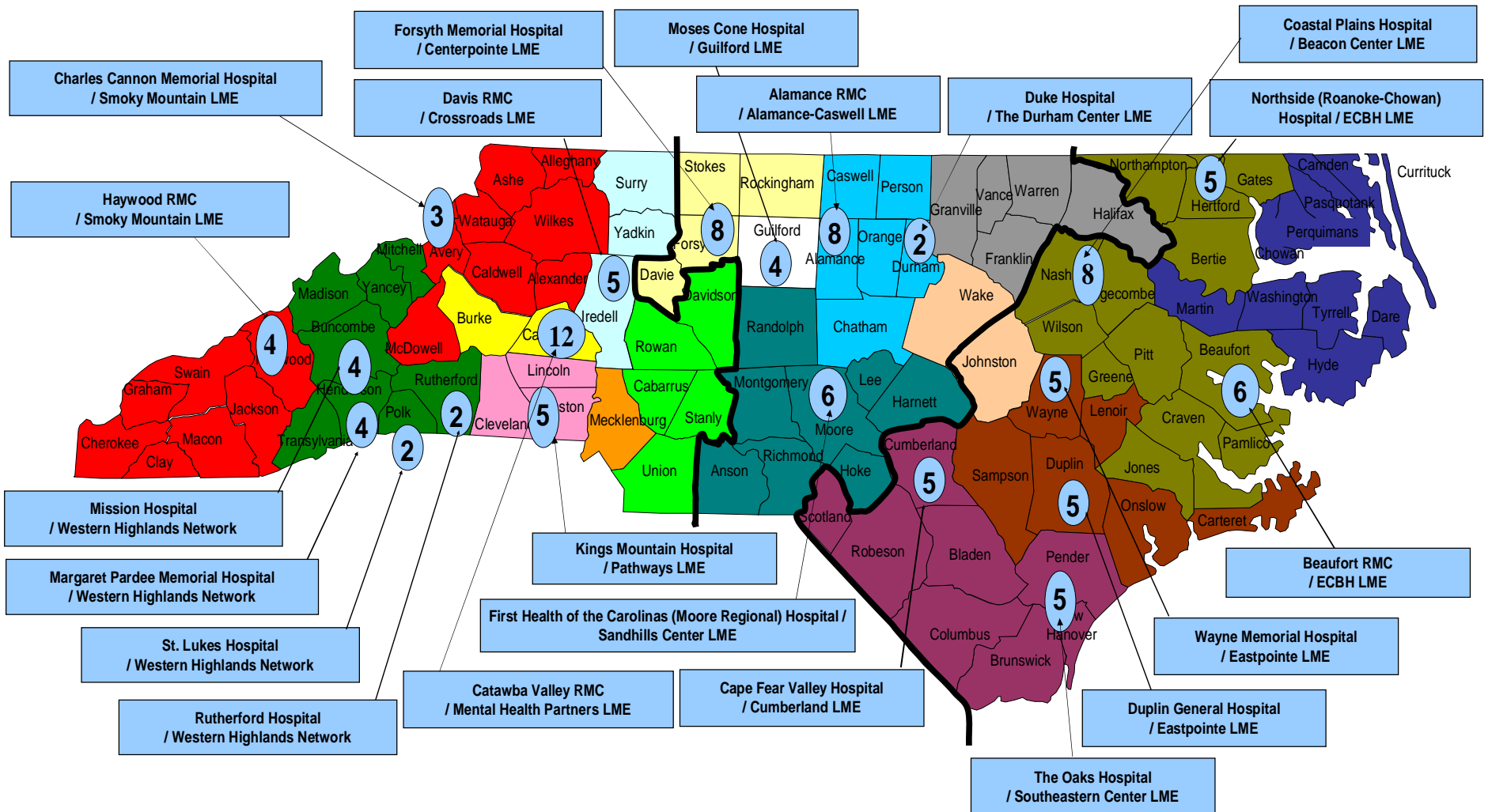


## 3-Way Contract Beds By Region

---

- Central Region: 23 Beds
- Eastern Region: 44 Beds
- Western Region: 41 Beds
- Total: 108 Beds

# 3-Way Contract Community Hospital Beds (As of 4-7-10)



Currently 21 Three Way Contracts in 2010 with 108 designated beds



# Initial Outcomes

---

- Readmission Rates

	State Hospitals	3-Way Contracts
30 Days	10%	6.2%
180 Days	20%	11.2%

- Clinical Capacity Building  
3-Way Contract + CABHA = Increased Psychiatric Capacity
- State Hospital Admissions – 7 Days or Less
  - FY 07 – 08 = 6,306 (46% of total)
  - FY 08 – 09 = 3,499 (40% of total)
  - FY 09 – 10 (July to Dec.) = 987 (28% of total)

**NOTE:** Decreases also a function of State Hospital bed reductions and admission delays



## Future Funding

---

- Annualized Cost FY 09-10 Beds = \$3.2 Million
- FY 10-11 Bed Expansion: 65 Beds = \$13.3 Million
- Existing Bed Retention
  - Current Indigent Care Rate = 35% +
  - Loss of Existing Capacity



# Contract Tracking Requirements

---

- Separate State Billing Code
- Admissions
- Hospital Denials
- Bed Utilization
- Transfers to State Hospitals
- Billing/ Expenditure Data